



STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**  
PO Box 157  
Rancho Cordova CA 95741-0157  
Telephone (916) 845-4300 Fax (916) 845-6614

JOHN CHIANG  
Chair

BETTY T. YEE  
Member

MICHAEL C. GENEST  
Member

January 10, 2007

William A. Lowell



Dear Mr. Lowell:

I want to thank you for attending FTB's 2006 Taxpayers' Bill of Rights Hearing. Below are responses to the issues you raised at the hearing.

*State is losing 6.5 billion dollars a year because of inadequate audit staff.*

The state's tax gap, the difference between taxes paid and owed, is estimated to cost California \$6.5 billion a year in lost tax revenues. Fueling this gap are individuals and businesses who do not file, underreport their income or overdeduct expenses. Reducing the tax gap is a departmental effort. Hiring more auditors is a step towards reducing the tax gap. But a comprehensive approach is required. In this endeavor, the Franchise Tax Board developed a plan to comprehensively address the tax gap. The goals in the plan include: 1. Improve taxpayer confidence in the tax system. 2. Make taxes less taxing. 3. Make it harder to cheat. 4. Level the playing field for business. 5. Support high standards in the tax profession. 6. Become more innovative in attacking the tax gap. The complete tax gap plan can be found at the FTB Website.  
<http://www.ftb.ca.gov/aboutFTB/TaxGapStratPlan.pdf>

*Off-shore outsourcing and what effect that has on our revenues. Because I know we're losing living wage jobs here for our people.*

FTB and the IRS are looking into this and auditing the movement of funds offshore at both the individual and corporate levels. On the corporate front, we have formed a team to look into the identification and audit of flagrant abuses of the existing law in this area.

*Corporations back-dating their CEO benefits, I understand that's illegal and that should be taken care of.*

We currently have a team looking into the backdating of stock options to see what the net tax impact is to the State of California and to take the appropriate audit actions.

*We should look at a comparison between the different states minimum wage versus a living wage. Then look at what average corporate CEO's make.*

This appears to be a federal issue. You may want to present this idea to the IRS or your elected federal official. You can find your federal official's contact information at:

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[www.house.gov](http://www.house.gov)  
[www.senate.gov](http://www.senate.gov)

*The Department of Corrections should have a training program similar to the "welfare to work program" for released inmates.*

This issue is not under the jurisdiction of the Franchise Tax Board. You may wish to present your idea to the Department of Correction and Rehabilitation at:

Department Of Corrections and Rehabilitation  
1515 S Street  
Sacramento 95814,  
Or,  
P.O. Box 942883  
Sacramento 94283-0001

916-445-7682

*To alleviate immigration problems, why not encourage U.S. businesses to set up branches in Mexico to provide living wages for workers*

This issue appears to be a federal issue. You may wish to contact your elected federal official and present your ideas. You can find your federal official's contact information at:

[www.house.gov](http://www.house.gov)  
[www.senate.gov](http://www.senate.gov)

If you have any questions about the status of your issues, please feel free to contact me anytime.

Sincerely,

Debbie Newcomb  
Taxpayer Advocate

cc: Hon. John Chiang  
Hon. Betty T. Yee  
Hon. Michael C. Genest  
Marcy Jo Mandel  
Alan LoFaso  
Anne Maitland